

# Schedule of Audit Findings

## **Moses Lake Conservation District Grant County January 1, 1996 through December 31, 1998**

### **1. The District does not have adequate controls over cash receipting.**

#### **Description of Condition**

The Moses Lake Conservation District runs a nursery which received \$258,675 in 1998, \$237,108 in 1997, and \$181,166 in 1996. During our previous audit, we had communicated several weaknesses over cash receipting at the nursery to the District's management. During the current audit, our documentation, evaluation and tests of the cash receipting procedures during this audit disclosed significant internal control deficiencies.

The District secretary prepares the deposits and reconciles the bank statements without any independent monitoring or review procedures in place. Without this monitoring or review, possibility of a loss occurring and going undetected is increased.

Multiple cash register operators utilized the same cash drawer. This prevents the District from being able to fix responsibility should the amount of funds on hand not agree with the amounts received according to the cash register tape.

The mode of payment (cash or check) is not entered into the cash register when a sale is made. Without identifying the mode of payment at the time of receipt, the District cannot determine all cash received is deposited in its account.

The District is reimbursing employees out of the cash register. The only evidence of a reimbursement is a receipt identifying the purchase(s) placed in the cash register drawer. The individual receiving the reimbursement is not documented, nor are the reimbursements submitted to the District's Board for approval.

The District prepares a deposit of the checks received on a daily basis but does not deposit the cash. The deposit needs to be kept intact so the District can verify all moneys are deposited in its account.

#### **Cause of Condition**

According to the District, management was unaware of the lack of internal control over cash receipting.

#### **Effect of Condition**

The lack of internal controls over cash receipting increases the potential for fraud or abuse, which may not be detected in a timely manner, if at all. In addition, the District's management has lost an important tool in reviewing and approving the expenditures of the District if reimbursements are not required to be sent to the Board for approval.

## Recommendations

We recommend the District improve internal controls over cash receipting as follows:

- Implement independent review for monitoring the bank deposit and monthly reconciliation.
- Allow only one cash register operator per cash drawer or implement other procedures, which will fix responsibility for shortages/overages.
- Establish the mode of payment for every transaction.
- Establish a petty cash fund for reimbursement of employee out of pocket expenses. The records of this fund should identify the amount, date, person and purpose for all transactions.
- Increase the change fund so that all money receipted is deposited on a daily basis.

## District's Response

*Thank you for the opportunity to respond to the audit finding. In response to the finding that the District does not have adequate controls over cash receipting, we make the following statements:*

1. *The District will institute a periodic check of bank statements against deposit records at its regularly scheduled Board meetings in an effort to monitor same. The results will be recorded in the minutes.*
2. *Multiple cash register operators cannot be changed at this time due to the volume of our sales and the one on one service that we provide. Close attention has always been made to the balancing of the cash drawer and staff will continue to be diligent in this area. Should problems arise, steps will be taken to review the situation and determine what steps need to be taken.*
3. *Every effort is made to record the sale as cash or check when a sale is made. Staff will be reminded again of the importance of doing same. We don't believe there has been a significant problem with this since the new cash register was purchased in February 1999. This was not the year covered in the audit so, consequently, we feel we already have this in place.*
4. *We have instituted a petty cash fund so our employees will be able to be reimbursed for the small expenses incurred in the operation of a business. We take exception that the receipts were placed in the cash drawer. Receipts were recorded and attached to a numbered invoice and assigned an account number for inclusion in the general ledger. While we now understand "intact" and approved expenditures, the reimbursements were for budgeted line items and were not of a significant dollar value. The financial statements are detailed and the Board goes over line items at each meeting. It is a moot point to make since we no longer do this, but the statement addressing this seems particularly harsh.*
5. *The present staff was not aware that all sales, including cash, were to be deposited daily. Extra cash was kept on hand at peak times to make change. At the end of each month, the cash drawer was taken back to the original amount and all cash above that amount was deposited. When the person doing the audit explained "intact" to the staff, immediate steps were taken to implement that and records will reflect, in the year 2000, that this is the case. We will also increase the cash drawer to have more change available.*

## **Auditor's Remarks**

We thank the District for its response. We also wish to express our appreciation to District staff for their assistance and cooperation throughout the audit process.

## **Applicable Laws and Regulations**

Article XI, Section 7 of the Washington State Constitution states that all money receipted shall immediately be deposited:

All moneys, assessments and taxes belonging to or collected for the use of any county, city, town, or other public or municipal corporation, coming into the hands of any officer thereof, shall immediately be deposited . . . .

